

**POLITICAL AND SOCIO-ECONOMIC FACTORS BEHIND BUDGET
DEVIATION IN THE INDONESIAN LOCAL GOVERNMENT'S
ELECTORAL CYCLE**

Undergraduate Thesis

Submitted as a Partial Fulfillment of the Requirement to Acquire a Bachelor
Degree in Economics from Accounting Program of Faculty of Economics and
Business of Universitas Sebelas Maret



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ABSTRACT

POLITICAL AND SOCIO-ECONOMIC FACTORS BEHIND BUDGET DEVIATION IN THE INDONESIAN LOCAL GOVERNMENT'S ELECTORAL CYCLE

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This research examines factors behind budget deviation in the Indonesian local government's electoral cycle. By using 1172 unbalanced panel data on 393 local governments in two election years (2013 and 2015), four political factors and three socio-economic factors are tested on the local government's budget deviation. The findings show that only electoral cycle affect the total budget in general. On separated test run on revenue deviation and expenditure deviation, it is found that three factors affect both revenue deviation and expenditure deviation, they are the electoral cycle, population, and income per capita (IPC). Political alignment and unemployment rate only show an effect on expenditure deviation, while political coalition and political competition do not seem to show an effect on both models tested. The only factor that has consistent result both in main test or separated test is the electoral cycle. Thus, this research provides empirical evidence supporting the findings on the relationship between electoral cycle and budget deviation.

Keywords: budget deviation, electoral cycle, political coalition, political competition, political alignment, population, IPC, unemployment

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I hereby declare that this undergraduate thesis is my original work and is not a copy of other's work, with the exceptions of those that is formally cited as listed in the References.

If in the later time this pronouncement is proven to be false, I am willing to accept the academic sanctions in the form of annulation of my undergraduate thesis and academic degree.



Surakarta, July 2017

Daniyah Ainur Rossa

FOREWORDS

In the name of Allah, the most gracious, the ever merciful. All praise to Allah, for none of this work will be completed without His never-ending blessing and grace. This undergraduate thesis is submitted as a partial fulfillment to achieve the Bachelor Degree in Economy from the Accounting Program, Faculty of Economics and Business of Universitas Sebelas Maret.

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